

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Periodic Reporting
(Proposal Six)

Docket No. RM2021-9

PUBLIC REPRESENTATIVE COMMENTS
(October 28, 2021)

I. INTRODUCTION

The Public Representative hereby provides comments in response to Commission Order No. 5992.¹ In that Order, the Commission established the above referenced docket to receive comments from interested persons, including the undersigned Public Representative, regarding changes to analytical principles relating to periodic reports.²

II. BACKGROUND

In Order No. 5937, the Commission directed the Postal Service to develop a methodology to disaggregate metered mail into the machinable and nonmachinable components for use as benchmarks.³ With Proposal Six, the Postal Service responds to that directive by updating its letter cost model to separately estimate the unit costs of machinable and nonmachinable metered mail.⁴ Petition, Proposal Six at 2. The

¹ Notice of Proposed Rulemaking on Analytical Principles Used in Periodic Reporting (Proposal Six), September 30, 2021 (Order No. 5992).

² Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Six), September 28, 2021 (Petition).

³ Docket No. R2021-2, Order on Price Adjustments for First-Class Mail, USPS Marketing Mail, Periodicals, Package Services, and Special Services Products and Related Mail Classification Changes, July 19, 2021, at 82 (Order No. 5937).

⁴ The Postal Service maintains that IOCS does not have sufficient information to develop separate mail processing cost estimates for machinable metered mail and nonmachinable metered mail letters, and that even if the IOCS methodology was adjusted, the estimates that could be obtained would

Proposal Six employs the same methodology to disaggregate metered mail letter costs by machinability as the accepted methodology for disaggregating IOCS-derived mail processing unit costs for First-Class presorted letter costs by rate category. *Id.*

In response to Chairman's Information Request 1, Question 1b, the Postal Service provided additional information regarding the entry points used in the proposed nonmachinable BMM model.⁵

IV. COMMENTS

The Public Representative reviewed the Postal Service's petition and accompanying workpapers. In general, the Public Representative supports the methodology proposed by the Postal Service. The methodology appears to be consistent with the operational realities as presented by the Postal Service. However, the Public Representative has no way to independently verify that the Postal Service's description of its operations as they relate to the processing of machinable and nonmachinable metered mail are accurate. Nonetheless, the Public Representative finds that the Postal Service presented a reasonable rationale for its chosen entry points in its model for nonmachinable BMM in its response to CHIR 1, Question 1.

Nonetheless, the Public Representative questions the accuracy of the cost avoidance estimate for Machinable Metered Letters. The Postal Service uses the workshare-related delivery unit cost estimate for Nonautomation Machinable Mixed AADC letters as a proxy for the workshare-related delivery unit cost estimate for Machinable Metered Letters. The differences in the workshare-related delivery unit cost estimates for different categories result from the differences in the percentage of letters that are delivery point sequenced. The Postal Service has not presented a rationale for

be unreliable, as the population of nonmachinable metered mail is small, resulting in too small a sample size to produce valid results.

⁵ Response of the United States Postal Service to Chairman's Information Request No. 1, October 27, 2021, (CHIR 1).

assuming that the two categories would have identical or even similar DPS profiles. If the DPS percentage is in fact lower for Machinable Metered Letters than for Nonautomation Machinable Mixed AADC letters, then the costs avoided by Nonautomation Machinable Mixed AADC letters as presented by the Postal Service are overstated. There is reason to believe that the DPS percentage associated with Machinable Metered Letters would be lower than that of Nonautomation Machinable Mixed AADC letters. Mailers that send Nonautomation Machinable Mixed AADC letters tend to be more sophisticated mailers than those sending Machinable Metered Letters, using the Nonautomation Machinable Mixed AADC letters category for residual mail after preparing mail destined to individual AADCs. Thus, it is reasonable to question whether two dissimilar groups of mailers would in fact have identical workshare-related unit delivery costs.

V. CONCLUSION

For the reasons discussed above, the Public Representative supports Proposal Six with the caveat that the Commission can verify that using the Nonautomation Machinable Mixed AADC letters unit delivery costs as a proxy for Machinable Metered Letters is reasonable. The Public Representative respectfully submits the foregoing comments for the Commission's consideration.

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